

CHAPTER II
FINANCIAL MANAGEMENT
AND
BUDGETARY CONTROL

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2.1 Introduction

2.1.1 The Appropriation Accounts are accounts of the expenditure, voted and charged, of the government for each financial year, compared with the amounts of the voted grants and appropriations charged for different purposes as specified in the schedules appended to the Appropriation Acts. These Accounts list the original budget estimate, supplementary grants, surrenders and re-appropriation distinctly and indicate actual capital and revenue expenditure on various specified services *vis-à-vis* those authorised by the Appropriation Act in respect of both charged and voted items of budget. The Appropriation Accounts thus facilitate the management of finances and monitoring of budgetary provisions and are therefore, complementary to the Finance Accounts.

2.1.2 Audit of appropriations by the Comptroller and Auditor General of India seeks to ascertain whether the expenditure actually incurred under various grants is within the authorisation given under the Appropriation Act and whether the expenditure required to be charged under the provisions of the Constitution is so charged. It also ascertains whether the expenditure so incurred is in conformity with the law, relevant rules and regulations and instructions.

2.2 Summary of Appropriation Accounts

The summarised position of actual expenditure during 2010-11 against 53 grants/appropriations is given in **Table 2.1**:

Table 2.1: Summarised Position of Actual Expenditure *vis-à-vis* Original/Supplementary Provisions

(₹ in crore)						
	Nature of expenditure	Original grant/ Appropriation	Supplementary grant/ Appropriation	Total	Actual expenditure	Saving (-)/ Excess (+)
Voted	I Revenue	59,874.65	10,657.10	70,531.75	67,134.54	(-) 3,397.21
	II Capital	12,912.24	2,360.74	15,272.98	13,261.18	(-) 2,011.80
	III Loans and Advances	891.02	1,596.29	2,487.31	2,251.91	(-) 2,35.40
Total Voted		73,677.91	14,614.13	88,292.04	82,647.63	(-) 5,644.41
Charged	IV Revenue	7,990.12	655.38	8,645.50	8,268.06	(-) 377.44
	V Capital	5.00	3.48	8.48	5.69	(-) 2.79
	VI Public Debt- Repayment	3,415.36	105.96	3,521.32	3,297.19	(-) 224.13
Total Charged		11,410.48	764.82	12,175.30	11,570.94	(-) 604.36
Appropriation to Contingency Fund (if any)		..	..	..	..	..
Grand Total		85,088.39	15,378.95	100,467.34	94,218.57	(-) 6,248.77

(Source: Appropriation Accounts of Government of Tamil Nadu)

The overall saving of ₹ 6,248.77 crore was the result of savings of ₹ 6,261.55 crore in 47 grants and 45 appropriations under the Revenue Section, 35 grants and two appropriation under the Capital Section and 14 grants and one appropriation under the Loan Section, offset by excess of ₹ 12.78 crore in four grants and two appropriations under the Revenue Section, two grants under the Capital Section and one grant under the Loans Section.

The savings/excesses were intimated (July 2011) to the Controlling Officers, requesting them to explain the significant variations. Out of 540 sub-heads, explanations for the variations were not received (July 2011) in respect of 276 sub-heads (Saving: 133 sub-heads and Excess: 143 sub-heads).

2.3 Financial Accountability and Budget Management

2.3.1 Appropriations *vis-à-vis* Allocative Priorities

The outcome of appropriation audit revealed that in 15 cases, savings exceeded ₹ 10 crore in each case and also by more than 20 *per cent* of the total provision (**Appendix 2.1**). Against the total savings of ₹ 6,248.77 crore, savings of ₹ 5,583.09 crore (89.35 *per cent*) occurred in 32 cases relating to 23 grants and two appropriations as indicated in **Table 2.2**.

Table 2.2: List of Grants having savings of ₹ 50 crore and above

(₹ in crore)						
Sl. No.	No. and Name of the Grant	Original	Supplementary	Total	Actual Expenditure	Savings
	A Revenue - Voted					
1	03 - Administration of Justice	393.71	76.15	469.86	409.80	60.06
2	04 - Adi Dravidar and Tribal Welfare Department	865.45	94.45	959.90	906.45	53.45
3	05 - Agriculture Department	1,877.26	117.32	1,994.58	1,834.63	159.95
4	09 - Backward Classes, Most Backward Classes and Minorities Welfare Department	454.58	58.64	513.22	456.48	56.74
5	10 - Commercial Taxes (Commercial Taxes and Registration Department)	267.78	29.86	297.64	237.12	60.52
6	14 - Energy Department	1,337.90	0.00	1,337.90	1,277.22	60.68
7	17 - Handlooms and Textiles (Handlooms, Handicrafts, Textiles and Khadi Department)	855.19	26.98	882.17	678.45	203.72
8	19 - Health and Family Welfare Department	3,879.08	618.85	4,497.93	4,390.54	107.39
9	21 - Highways Department	1,055.87	107.36	1,163.23	1,019.32	143.91
10	22 - Police (Home, Prohibition and Excise Department)	2,812.27	255.56	3,067.83	2,966.26	101.57
11	26 - Housing and Urban Development Department	396.01	452.31	848.32	686.21	162.11
12	27 - Industries Department	685.25	142.56	827.81	669.72	158.09
13	32 - Labour and Employment Department	483.67	52.69	536.36	465.51	70.85

Sl. No.	No. and Name of the Grant	Original	Supplementary	Total	Actual Expenditure	Savings
14	34 - Municipal Administration and Water Supply Department	3,502.53	663.86	4,166.39	3,634.77	531.62
15	41 - Revenue Department	2,397.02	262.16	2,659.18	2,539.62	119.56
16	42 - Rural Development and Panchayat Raj Department	5,009.22	708.87	5,718.09	5,465.37	252.72
17	43 - School Education Department	9,894.28	1,394.86	11,289.14	10,974.56	314.58
18	45 - Social Welfare and Nutritious Meal Programme Department	2,457.78	449.93	2,907.71	2,809.09	98.62
19	50 - Pension and Other Retirement Benefits	10,000.02	2,129.29	12,129.31	11,852.62	276.69
20	51 - Relief on account of Natural Calamities	313.35	1,226.13	1,539.48	1,445.42	94.06
	A Revenue - Charged					
21	53 - Debt Charges	7,864.45	634.00	8,498.45	8,137.41	361.04
	B Capital - Voted					
22	12 - Cooperation (Cooperation, Food and Consumer Protection Department)	390.61	12.52	403.13	275.24	127.89
23	21 - Highways Department	3,400.54	0.00	3,400.54	3,022.60	377.94
24	26 - Housing and Urban Development Department	949.90	0.00	949.90	655.69	294.21
25	34 - Municipal Administration and Water Supply Department	1,422.75	0.00	1,422.75	1,353.33	69.42
26	39 - Buildings (Public Works Department)	1,051.89	4.85	1,056.74	927.87	128.87
27	40 - Irrigation (Public Works Department)	1,038.15	13.36	1,051.51	824.97	226.54
28	41 - Revenue Department	279.97	0.00	279.97	200.00	79.97
29	42 - Rural Development and Panchayat Raj Department	3,003.99	756.90	3,760.89	3,310.89	450.00
	C Loans - Voted					
30	27 - Industries Department	240.00	126.85	366.85	276.94	89.91
31	34 - Municipal Administration and Water Supply Department	328.15	0.00	328.15	261.87	66.28
	C Loans - Charged					
32	54 - Public Debt Repayment	3,415.36	105.96	3,521.32	3,297.19	224.13
	Total	72,323.98	10,522.27	82,846.25	77,263.16	5,583.09

(Source: Appropriation Accounts of Government of Tamil Nadu)

2.3.2 Persistent Savings

In 18 cases, during the last five years there were persistent savings of more than five *per cent* of the total grant as indicated in **Table 2.3**.

Table 2.3: List of Grants having Persistent Savings during 2006-11

(₹ in crore)

Sl. No.	No. and Name of the Grant	Amount of Savings				
		2006-07	2007-08	2008-09	2009-10	2010-11
Revenue Voted						
1.	2 - Governor and Council of Ministers	2.54 (14.23)	1.32 (6.94)	2.99 (13.38)	4.43 (17.90)	4.02 (14.44)
2.	4 - Adi-Dravidar and Tribal Welfare Department	44.35 (7.62)	42.46 (6.68)	46.76 (6.47)	46.61 (5.69)	53.48 (5.57)
3.	5 - Agriculture Department	69.51 (7.16)	168.51 (14.97)	113.43 (7.62)	138.05 (6.93)	167.43 (8.02)
4.	7 - Fisheries (Animal Husbandry, Dairying and Fisheries Department)	35.30 (32.92)	28.67 (29.64)	36.69 (32.99)	37.53 (19.51)	11.73 (8.62)
5.	9 - Backward Classes, Most Backward Classes and Minorities Welfare Department	23.31 (11.44)	36.74 (9.91)	31.18 (7.70)	37.37 (8.58)	56.91 (11.06)
6.	15 - Environment and Forest Department	26.57 (16.61)	24.59 (13.42)	19.13 (9.08)	14.24 (5.84)	5.46 (5.04)
7.	21- Highways and Minor Ports Department	142.30 (12.44)	165.71 (13.78)	155.90 (12.35)	155.29 (11.85)	6.01 (12.37)
8.	23 - Fire and Rescue Services (Home, Prohibition and Excise Department)	27.51 (26.04)	32.09 (27.89)	23.00 (17.92)	43.95 (24.61)	21.29 (12.05)
9.	25 - Motor Vehicles Acts – Administration (Home, Prohibition and Excise Department)	4.72 (7.04)	10.51 (17.06)	18.49 (21.14)	16.43 (17.35)	8.27 (7.34)
10.	27 - Industries Department	21.76 (25.56)	45.05 (56.29)	161.25 (46.17)	658.18 (94.44)	149.77 (19.10)
11.	28 - Information and Publicity (Tamil Development, Religious Endowment and Information Department)	3.13 (8.60)	2.29 (6.43)	2.85 (6.54)	3.34 (6.91)	1.87 (5.06)
12.	35 - Personnel and Administrative Reforms Department	3.35 (11.29)	3.69 (10.71)	3.17 (8.12)	4.51 (10.06)	2.30 (8.08)
13.	36 - Planning, Development and Special Initiatives Department	37.60 (29.41)	6.01 (15.16)	4.86 (11.12)	5.66 (11.21)	6.59 (13.75)
14.	38 - Public Department	36.13 (18.49)	20.58 (13.64)	25.59 (15.70)	27.83 (9.81)	31.56 (11.08)
15.	39 - Buildings (Public Works Department)	6.39 (5.71)	25.49 (19.32)	18.97 (12.55)	12.44 (8.23)	2.49 (5.26)
16.	44 - Micro, Small and Medium Enterprises Department	8.36 (17.71)	28.10 (44.51)	42.74 (45.44)	27.05 (27.17)	13.41 (11.35)
17.	46 - Tamil Development (Tamil Development, Religious Endowments and Information Department)	2.94 (6.50)	4.08 (14.49)	4.19 (14.98)	2.76 (8.86)	12.12 (11.17)
18.	47 - Hindu Religious and Charitable Endowments (Tamil Development, Religious Endowments and Information Department)	3.86 (11.37)	4.86 (11.16)	10.45 (19.09)	2.60 (5.24)	8.33 (12.96)

(Source: Appropriation Accounts of Government of Tamil Nadu)

(Figures in brackets = *per cent* savings)

From the above table, it may be seen that the savings continued over the years indicating improper estimation or poor control over expenditure.

2.3.3 Expenditure without Provision

As per Para 14 (ii) of the Tamil Nadu Budget Manual, expenditure should not be incurred on a scheme/service without provision of funds. It was, however, noticed that expenditure of ₹ 2.59 crore was incurred in 23 cases as detailed in **Table 2.4** without any provision in the original estimates/supplementary demand and without any re-appropriation orders to this effect.

Table 2.4: Expenditure incurred without provision during 2010-11

(In ₹)

Sl.No	Grant No	Head of Account	Actual Expenditure
1.	05	2402.00.102.UR (V)	20,000
2.	20	2202.03.107.AB (V)	1,31,300
3.	29	2205.00.105.JC (V)	23,973
4.	40	4701.03.285.JB (V)	28,587
5.	40	4701.03.301.JA (V)	59,93,362
6.	40	4701.03.368.PA (V)	10,43,652
7.	40	4701.03.376.PA (V)	37,74,188
8.	41	2029.00.102.AS (V)	29,901
9.	41	2049.60.701.AB (V)	8,798
10.	41	2053.00.094.EM (V)	18,35,353
11.	41	2053.00.094.EP (V)	4,89,752
12.	41	2059.01.053.DD (V)	64,49,894
13.	41	2070.00.003.AA (V)	1,925
14.	41	3604.00.200.AG (V)	4,36,047
15.	50	2071.01.101.AO (V)	23,00,658
16.	50	2071.01.105.AH (V)	14,70,264
17.	50	2071.01.800.AK (V)	57,500
18.	53	2049.01.101.AB (C)	17,39,824
19.	53	2049.60.101.BC (C)	1,800
20.	53	2049.60.101.DA (C)	5,763
21.	53	2049.60.101.EC (C)	10,375
22.	53	2049.60.101.EG (C)	6,486
23.	53	2049.60.101.EP (C)	5,142
Total			2,58,64,544 or 2.59 crore

(Source: Appropriation Accounts of Government of Tamil Nadu)

2.3.4 Excess over provisions relating to previous years requiring regularisation

As per Article 205 of the Constitution of India, it is mandatory for a State Government to get the excess over a grant/appropriation regularised by the State Legislature. Although no time limit for regularisation of expenditure has been prescribed under the Article, the regularisation of excess expenditure is done after the completion of discussion of the Appropriation Accounts by the Public Accounts Committee. Excess expenditure amounting to ₹ 6,234.73 crore for the years 1998-2010 was still to be regularised as detailed in

Appendix 2.2. Non-regularisation of the excess over grants/appropriations for many years is a breach of legislative control over appropriations.

2.3.5 Excess over provisions during 2010-11 requiring regularisation

Table 2.5 contains a summary of the total excess over provision of funds in nine grants/appropriations amounting to ₹ 12.78 crore during 2010-11, requiring regularisation under Article 205 of the Constitution.

Table 2.5: Excess over provisions requiring regularisation during 2010-11

(₹ in crore)

Sl. No.	Number and title of grant/appropriation		Total grant/ appropriation	Expenditure	Excess
Voted Grants -					
1.	08	Dairy Development (Animal Husbandry, Dairying and Fisheries Department) – Revenue	24.96	24.98	0.02
2.	11	Commercial Taxes (Commercial Taxes and Registration Department) – Revenue	174.09	177.06	2.97
3.	16	Finance Department – Loans	42.73	49.66	6.93
4.	32	Labour and Employment Department – Capital	16.77	17.77	1.00
5.	33	Law Department – Revenue	15.83	16.66	0.83
6.	37	Prohibition and Excise (Home, Prohibition and Excise Department) – Revenue	67.87	68.81	0.94
7.	48	Transport Department - Capital	134.22	134.25	0.03
Total		Voted	476.47	489.19	12.72
Charged Appropriations -					
8.	38	Public Department – Revenue	0.07	0.11	0.04
9.	40	Irrigation (Public Works Department) – Revenue	0.03	0.05	0.02
Total		Charged	0.10	0.16	0.06
Grand Total			476.57	489.35	12.78

(Source: Appropriation Accounts of Government of Tamil Nadu)

2.3.6 Unnecessary/Excessive/ Inadequate supplementary provision

Supplementary provisions aggregating ₹ 941.34 crore obtained in 19 cases of ₹ 50 lakh or more in each case during the year, proved unnecessary as the expenditure did not come up to the levels of the original provision as detailed in **Appendix 2.3**. In two cases, supplementary provisions of ₹ 26.26 crore proved insufficient leaving an aggregate uncovered excess expenditure of ₹ 9.89 crore as detailed in **Table 2.6**.

Table 2.6: Cases where supplementary provision (₹ 1 crore or more in each case) proved insufficient

(₹ in crore)						
Sl. No.	Grant Number	Original Provision	Supplementary Provision	Total Provision	Actual Expenditure	Excess
	Voted					
1	11 - Revenue	152.34	21.76	174.10	177.06	2.96
2	16 - Loans	38.23	4.50	42.73	49.66	6.93
	Total	190.57	26.26	216.83	226.72	9.89

2.3.7 Excessive/unnecessary re-appropriation of funds

Re-appropriation is transfer of funds within a grant from one unit of appropriation, where savings are anticipated, to another unit where additional funds are needed. Injudicious re-appropriation proved excessive or insufficient and resulted in savings/excess of over ₹ 10 lakh under 687 sub-heads. The excess/savings were more than Rupees two crore under 117 sub-heads as detailed in **Appendix 2.4**.

2.3.8 Unexplained re-appropriations

According to paragraph 151 (ii) of the Tamil Nadu Budget Manual, Volume-I, reasons for the additional expenditure and the savings should be explained in the re-appropriation statement and vague expressions such as “based on actual requirements”, “based on trend of expenditure”, etc., should be avoided. However, a scrutiny of re-appropriation orders issued by the Finance Department revealed that in respect of 2,999 items out of 18,750 items (15.99 *per cent*), reasons given for additional provision/withdrawal of provision in the re-appropriation orders were of general nature like “actual requirement”, “based on latest assessment” and “restriction of expenditure”.

2.3.9 Substantial surrenders

Substantial surrenders (the cases where more than 50 *per cent* of the total provision was surrendered) were made in respect of 190 sub-heads on account of either non-implementation or slow implementation of schemes/programmes. Out of the total provision amounting to ₹ 5,664.45 crore in these 190 schemes, ₹ 4,505.91 crore (79.55 *per cent*) was surrendered, which included cent per cent surrender in 56 schemes (₹ 882.46 crore).

2.3.10 Surrender in excess of actual saving

In 23 cases, the amounts surrendered (₹ 50 lakh or more in each case) were in excess of the actual savings, indicating lack of or inadequate budgetary control in these departments. As against savings of ₹ 2,048.77 crore, the amount surrendered was ₹ 2,827.71 crore, resulting in excess surrender of ₹ 778.94 crore. Details are given in **Appendix 2.5**.

2.3.11 Anticipated savings not surrendered

As per Para 140 the Tamil Nadu Budget Manual, spending departments are required to surrender the grants/appropriations or portion thereof to the Finance Department as and when savings are anticipated. At the close of the year 2010-11, there were, however, three grants/appropriations in which savings had occurred but no part of which were surrendered by the concerned departments. The amount involved in these cases was ₹ 254.31 crore (4.06 *per cent* of the total savings) as indicated in **Table 2.7**.

Table 2.7: Statement of various grants/appropriations in which savings occurred but not surrendered

			(₹ in crore)
Sl.No.	Grant No.	Name of grant/appropriation	Savings
Revenue - Voted			
1.	17	Handlooms and Textiles (Handlooms, Handicrafts, Textiles and Khadi Department))	203.72
2.	20	Higher Education Department	49.24
Revenue - Charged			
3.	50	Pension and Other Retirement Benefits	1.35
Grand Total			254.31

Similarly, out of the total savings of ₹ 2,786.00 crore under 40 grants/appropriations (savings of Rupees one crore and above were indicated in each grant/appropriation) grants aggregating ₹ 882.99 crore (14.10 *per cent* of the total savings) were not surrendered, details of which are given in **Appendix 2.6**. Besides, in 42 cases, (surrender of funds in excess of ₹ 10 crore), ₹ 4,069.52 crore (**Appendix 2.7**) were surrendered on the last two working days of March 2011 indicating inadequate financial control and the fact that these funds could not be utilised for other development purposes.

2.3.12 Rush of expenditure

According to Article 39 of the Tamil Nadu Financial Code, rush of expenditure in the closing month of the financial year should be avoided. Contrary to this, in respect of the 87 sub-heads listed in **Appendix 2.8**, expenditure exceeding ₹ 10 crore and also more than 50 *per cent* of the total expenditure for the year was incurred in March 2011. Out of these, in 21 cases the entire expenditure was incurred in March 2011.

Appropriate action needs to be taken to regulate and systematise the procedure to avoid heavy expenditure in the closing month of the financial year.

2.4 Advances from Contingency Fund

The Contingency Fund of the State has been established under The Tamil Nadu Contingency Fund Act, 1954 in terms of provisions of Article 267 (2) and 283 (2) of the Constitution of India. Advances from the fund are to be made only for meeting expenditure of an unforeseen and emergent character, postponement of which, till its authorisation by the Legislature would be undesirable. The fund is in the nature of an imprest and its corpus is ₹ 150 crore.

During the year 2010-11, it was noticed that in 98 out of 161 cases wherein funds were drawn from Contingency Fund amounting to ₹ 51.35 crore, as detailed in **Appendix 2.9**, were not fully utilised indicating that the funds were not drawn to meet unforeseen expenditure/urgent expenditure. In respect of 11 cases, the actual expenditure was less than 50 *per cent* of the funds sanctioned as detailed in **Appendix 2.10**. An amount of ₹ 38.90 crore was sanctioned under Contingency Fund in respect of 23 sanctions of which an expenditure of ₹ 29.56 crore was utilised and remained unrecouped (March 2011).

2.5 Conclusion

During 2010-11 expenditure of ₹ 94,218.57 crore was incurred against total grants and appropriations of ₹ 100,467.34 crore, resulting in savings of ₹ 6,248.77 crore. The overall savings were the net result of savings of ₹ 6,261.55 crore offset by excess of ₹ 12.78 crore. Inaccuracies in budgeting resulted in persistent saving of five per cent or more in 18 grants during 2006-11. In 23 cases the amounts surrendered (₹ 50 lakh or more) were in excess of the actual savings. As against savings of ₹ 2,048.77 crore, the amount surrendered was ₹ 2,827.71 crore, resulting in excess surrender of ₹ 778.94 crore. There were three grants/appropriations in which total savings of ₹ 254.31 crore were observed but the same were not surrendered by the concerned departments. Similarly, out of the total saving of ₹ 2,786 crore in 40 other grants/appropriations (saving of ₹ one crore and above), ₹ 882.99 crore were not surrendered.

2.6 Recommendations

- Budgetary controls should be strengthened especially in those departments where savings had been observed for the last five years regularly.
- Excessive/unnecessary supplementary provision and re-appropriation of funds injudiciously should be avoided.
- Contingency Fund should be sanctioned only to the extent required, so as to avoid non-drawal of the amount sanctioned.